

(7) Subclause (I) of section 2701(d)(3)(B)(ii) is amended by inserting "or the exclusion under section 2503(b)." after "section 2523."

(1) (8) Section 2701(e)(5) is amended[™] by striking "such contribution to capital or such redemption, recapitalization, or other change" in subparagraph (A) and inserting "such transaction". and
(2) by striking "the transfer" in subparagraph (B) and inserting "such transaction".

(9) Section 2701(d)(4) is amended by adding at the end thereof the following new subparagraph:

"(C) TRANSFER TO TRANSFERORS.—In the case of a taxable event described in paragraph (3)(A)(ii) involving a transfer of an applicable retained interest from an applicable family member to a transferor, this subsection shall continue to apply to the transferor during any period the transferor holds such interest."

(10) Section 2701(e)(6) is amended by inserting "or to reflect the application of subsection (d)" before the period at the end thereof.

(11)(A) Section 2702(a)(3)(A) is amended—
(i) by striking "to the extent" and inserting "if in clause (i).
(ii) by striking "or" at the end of clause (i).
(iii) by striking the period at the end of clause (ii) and inserting " or" and
(iv) by adding at the end thereof the following new clause:

"(iii) to the extent that regulations provide that such transfer is not inconsistent with the purposes of this section."

(B)(i) Section 2702(a)(3) is amended by striking "incomplete transfer" each place it appears and inserting "incomplete gift".

(11) The heading for section 2702(a)(3)(B) is amended by striking "INCOMPLETE TRANSFER" and inserting "INCOMPLETE GIFT".

(g) AMENDMENTS RELATED TO SUBTITLE G.—

(1)(A) Subsection (a) of section 1248 is amended

(i) by striking ". or if a United States person receives a distribution from a foreign corporation which, under section 302 or 331, is treated as an exchange of stock" in paragraph (1), and

(ii) by adding at the end thereof the following new sentence: "For purposes of this section, a United States

person shall be treated as having sold or
exchanged ^{any}
stock if, under any provision of this subtitle,
such person
is treated as realizing gain from the sale or
exchange
of such stock."

(B) Paragraph (1) of section 1248(e)
is amended by
striking "or receives a distribution from a
domestic corporation
which, under section 302 or 331, is treated as
an exchange
of stock".

(3) Subparagraph (B) of section 1248(f)(1) is
amended by
striking "or 361(c)(D)" and inserting "355(c)(1), or 361(c)(D)".
(4) Paragraph (1) of section 1248(i) is
amended to read
as follows: